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Chairman



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Fiscal Year 21-22 HB1 Budget Review Department of Natural Resources

House Committee on Appropriations
House Fiscal Division

April 19, 2021

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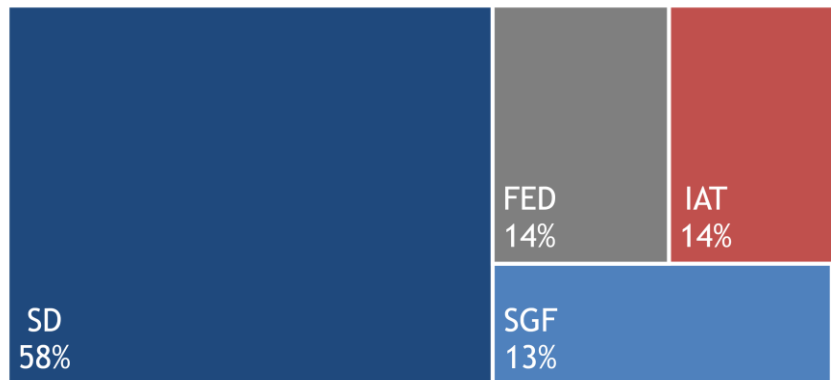
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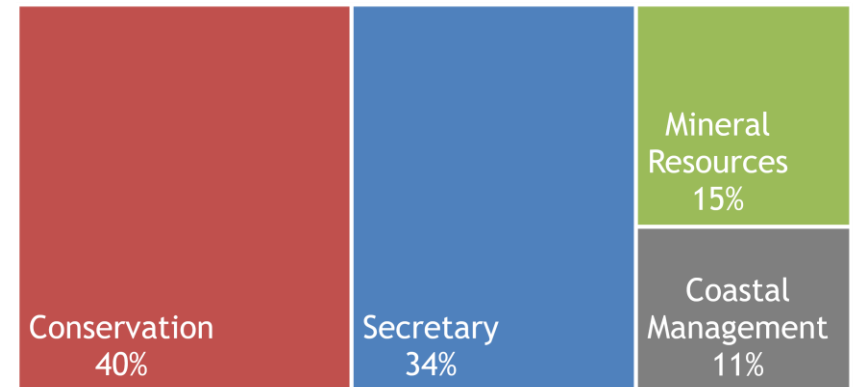
FY22 BUDGET RECOMMENDATION

Total Budget = \$60,926,129

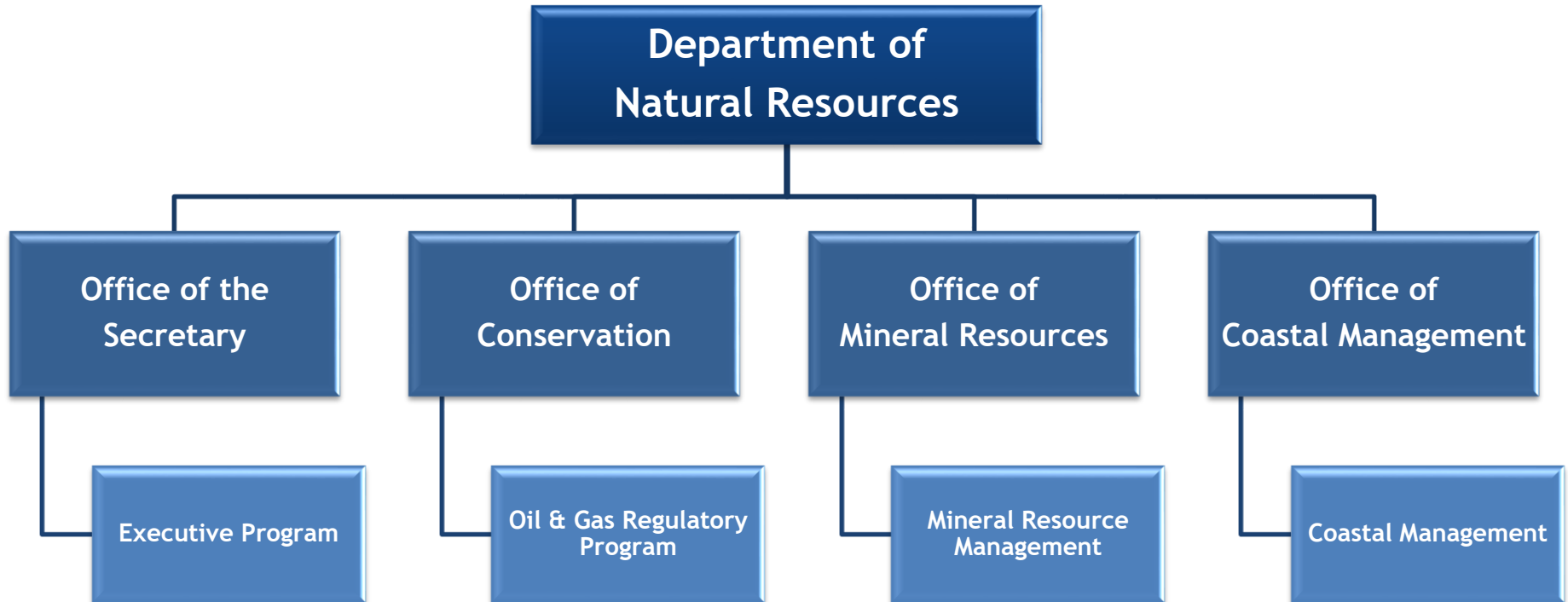
Means of Finance	
State General Fund	\$7,933,771
Interagency Transfers	\$8,541,852
Fees & Self-generated	\$208,000
Statutory Dedications	\$35,482,553
Federal	\$8,759,953
Total	\$60,926,129



Agency Breakdown		
	Budget	Positions
Secretary	\$20,764,459	37
Conservation	\$24,420,691	174
Mineral Resources	\$9,021,603	56
Coastal Management	\$6,719,376	44
Total	\$60,926,129	311



DEPARTMENT ORGANIZATION



OFFICE OF THE SECRETARY



The mission of the Department of Natural Resources is to ensure and promote sustainable and responsible use of the natural resources of our state so that they are available for the enjoyment and benefit of our citizens now and in the future.

Executive

- The Office of the Secretary provides overall leadership, guidance, and coordination within the department.
- The mission of the Department of Natural Resources is to ensure and promote sustainable and responsible use of the natural resources of our state so that they are available for the enjoyment and benefit of our citizens now and in the future.

Technology Assessment Division

- Analyzes subjects and issues related to energy and natural resources.
- Publish data on Louisiana energy development and production.
- Forecast state oil and gas production, depletion and revenue, including long and short term reserves.
- **State Energy Office**
 - Advises on energy use, efficiency, supply, and alternatives.
 - U.S. Department of Energy point of contact.

OFFICE OF CONSERVATION

Engineering - Administrative

- Prevention of the waste of oil and gas underground, in storage, or in transportation.
- Protection of property rights of all persons related to oil and gas exploration in Louisiana.
- Process drilling and well permits.
- Manages the storage, filing, and dissemination of well records, hearing transcripts, well test information, and historical production information.
- Audits various producer reports that pertain to severance tax and mineral royalty collection.

Engineering - Regulatory

- Inspects oil and gas wells and facilities to ensure compliance.
- **Oilfield Site Restoration Program**
 - Plugs abandoned orphan wells and restores the associated surface locations through competitive bid contracting.
- **Obstruction Removal Program**
 - Verify and remove natural and manmade underwater obstructions which pose an impediment to normal navigation and commercial fishing.
- **District offices in Lafayette, Shreveport, and Monroe.**

Environmental Division

- **Groundwater Management Program**
 - Identifies areas of ground water concern, addresses ground water emergencies, and establishes best practices and policies for the State's ground water resources.
- **Exploration & Production (E&P) Waste Management Section**
 - Regulates commercial E&P waste storage, treatment, and disposal facilities.

OFFICE OF CONSERVATION

Geological Oil & Gas Division

- Orders Management
 - Prepares and reviews Office of Conservation Orders.
- Unitization and Digital Mapping
 - Oversees Digital Mapping/GIS support as well as other computer mapping, graphics, and database management.
 - Houses historical maps.
 - Manages access to SONRIS database.
- Customer Assistance and Well Log Management
 - Assists constituents with Log Files and Map Room checkout along with general oil and gas related information.
 - Ensures that digital logs submitted are tracked and stored securely.

Injection and Mining

- Underground Injection Control System
 - Administers a regulatory and permit program to protect underground sources of drinking water from hazardous and non-hazardous fluids through deep well injection and other oilfield waste disposal techniques.
- Surface Mining Section
 - Regulates the exploration, development, and surface mining operations for coal and lignite.
 - Abandoned Mine Lands Program identifies and reclaims abandoned surface coal mines.

Pipeline Division

- Pipeline Safety Program
 - Regulates intrastate pipeline operators by conducting pipeline operator inspections, compliance, and enforcement, safety programs, accident investigations, and record maintenance and reporting.
- Pipeline Operations Program
 - Regulates the construction, acquisition, abandonment, and interconnection of natural gas pipelines.

OFFICE OF MINERAL RESOURCES

Executive Division

- Performs administrative duties for the State Mineral and Energy Board and manages overall office operations.
 - This includes budget administration, personnel matters, and purchasing.
- Assists the Board by managing professional services and issuing non-exclusive seismic permits.

Geological, Engineering & Lands Division

- Provides the State Mineral and Energy Board with expertise advice, and recommendations.
- Administers the state's proprietary interest in minerals.
- The exclusive body with the authority to lease for development and production of minerals, oil, and gas, any lands belonging to the State.

Mineral Income Division

- Performs collection and accounting of revenue due the state from mineral leasing activity and production on state-owned lands and water bottoms on behalf of the State Mineral & Energy Board.
- Performs on-site field audits of payor companies and with auditors based in Houston, Dallas, and Baton Rouge.

OFFICE OF COASTAL MANAGEMENT

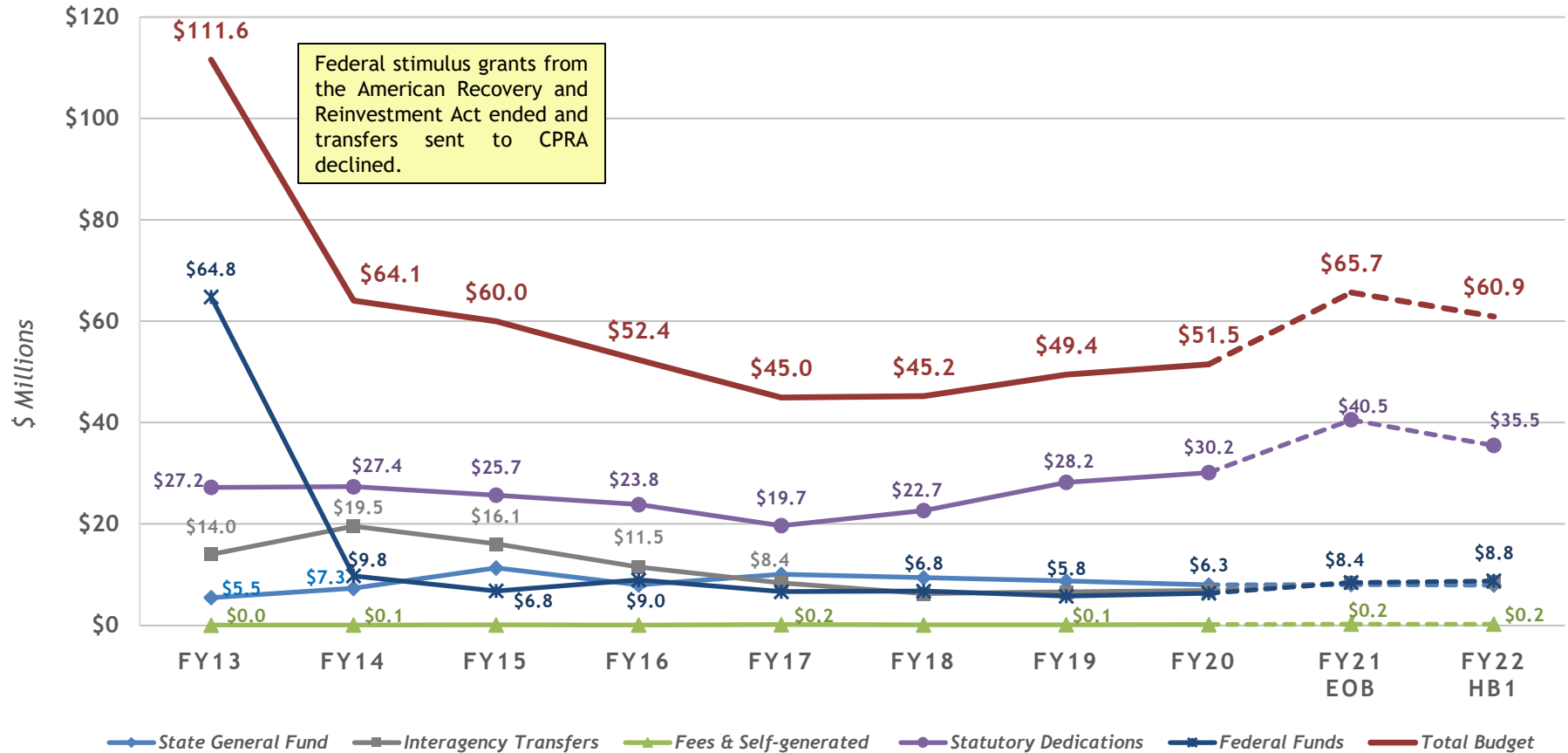
Permits & Mitigation

- Regulates development activities and manages the resources of the Coastal Zone.
- Coastal Use Permit (CUP) is required for certain projects in the Coastal Zone.
 - dredge and fill work
 - bulkhead construction
 - shoreline maintenance
- The purpose of the Coastal Use Permit process is to make certain that any activity affecting the Coastal Zone is performed in accordance with established guidelines.

Interagency Affairs & Field Services

- Ensures compliance with the LCRP is reached via enforcement and federal consistency.
- Provides the Permits/Mitigation Division with field reports on Coastal Use Permits.
- Supports coastal Parishes in implementing approved Local Coastal Programs.
- Serves as a State trustee for natural resource damage assessment for oil spills.
- Manages the Fisherman's Gear Compensation Program to compensate commercial fisherman for losses to equipment and vessels resulting from hitting underwater obstructions.

HISTORICAL SPENDING



Source: Office of Planning and Budget - Budget Supporting Documents; and HB1 of the 2021 Regular Session

FY20 UNSPENT AUTHORITY

	End of Fiscal Year Budget	Actual Amount Spent	Unspent Budget Authority	Unspent Authority %	Unspent % by MOF
SGF	\$7,962,984	\$7,962,984	\$0	0.0%	0.0%
IAT	\$9,001,985	\$6,898,015	\$2,103,970	23.4%	13.3%
FSGR	\$208,000	\$145,073	\$62,927	30.3%	0.4%
Stat Ded	\$41,365,940	\$30,151,001	\$11,214,939	27.1%	71.2%
Federal	\$8,729,104	\$6,349,402	\$2,379,702	27.3%	15.1%
FY20 Total	\$67,268,013	\$51,506,475	\$15,761,538	23.4%	100.0%

Historical Total Unspent Authority for Comparison

	End of Fiscal Year Budget	Actual Amount Spent	Unspent Budget Authority	Unspent %
FY19 Total	\$59,765,558	\$49,446,465	\$10,319,093	17.3%
FY18 Total	\$55,361,122	\$45,220,781	\$10,140,341	18.3%
3 Year Avg.	\$60,798,231	\$48,724,574	\$12,073,657	19.9%

FY20 UNSPENT AUTHORITY

Did department collect all revenue budgeted?

	Final Budget (w/o FY21 carryfwd)	Actual Revenue Collections	Uncollected Revenue
SGF	\$7,962,984	\$7,962,984	\$0
IAT	\$9,001,985	\$6,898,015	(\$2,103,970)
FSGR	\$208,000	\$145,073	(\$62,927)
SD	\$41,365,940	\$37,450,734	(\$3,915,206)
FED	\$8,729,104	\$6,349,403	(\$2,379,701)
FY20 Total	\$67,268,013	\$58,806,209	(\$8,461,804)
FY19 Total	\$59,765,558	\$52,505,465	(\$7,260,093)
FY18 Total	\$55,361,122	\$47,740,135	(\$7,620,987)
3 Year Avg.	\$60,798,231	\$53,017,270	(\$7,780,961)

The department collected almost \$8.5 million less than the FY20 budget. The excess budget authority over collections was most significant in statutory dedications due to reductions in collections of the Mineral and Energy Operation Fund and the Oil and Gas Regulatory Fund.

Did department spend all collections?

	Actual Revenue Collections	Actual Expenditures	Unspent Revenue
SGF	\$7,962,984	\$7,962,984	\$0
IAT	\$6,898,015	\$6,898,015	\$0
FSGR	\$145,073	\$145,073	\$0
SD	\$37,450,734	\$30,151,001	(\$7,299,733)
FED	\$6,349,402	\$6,349,402	\$0
FY20 Total	\$58,806,208	\$51,506,475	(\$7,299,733)
FY19 Total	\$52,505,465	\$49,446,465	(\$3,059,000)
FY18 Total	\$47,740,135	\$45,220,781	(\$2,519,354)
3 Year Avg.	\$53,017,270	\$48,724,574	(\$4,292,696)

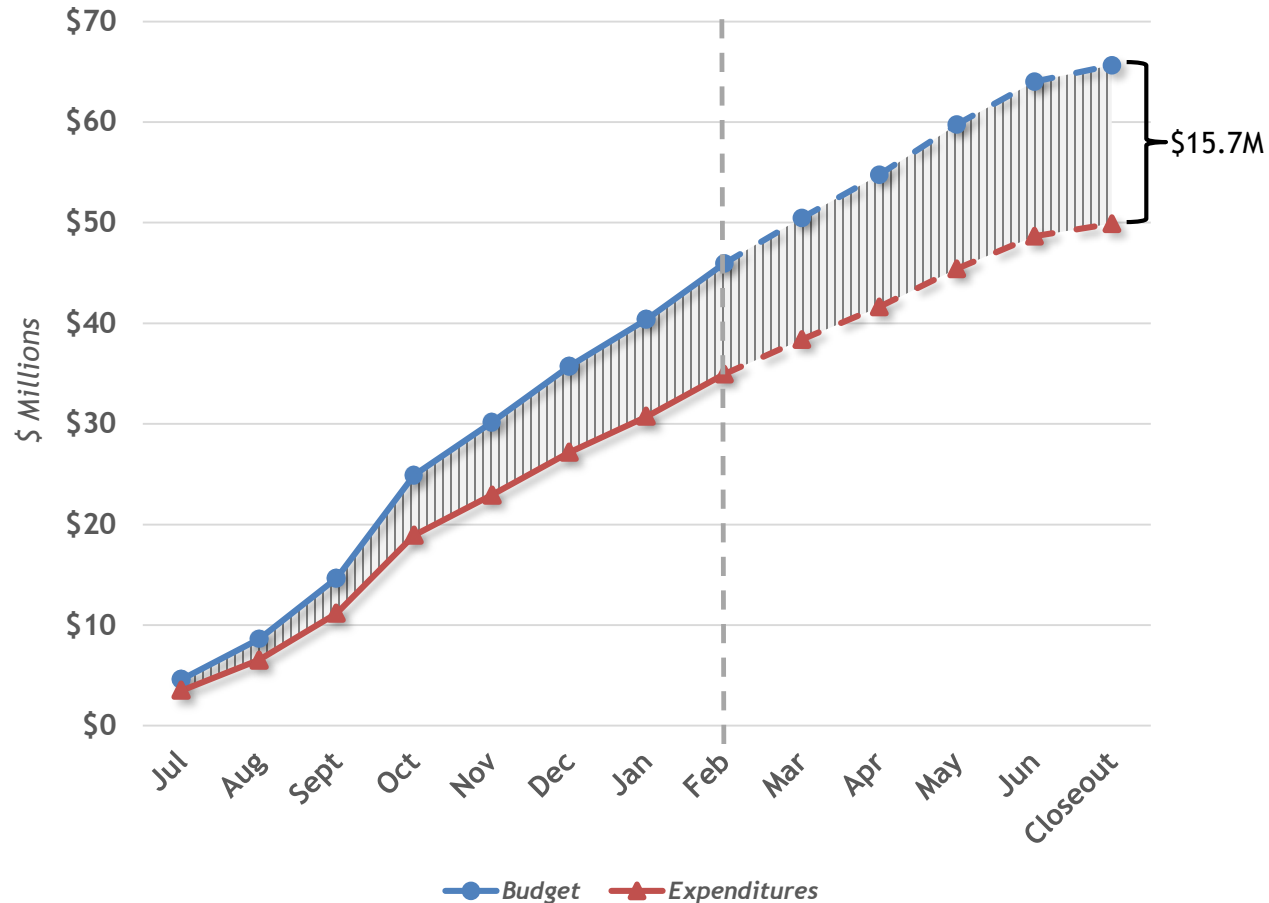
The department collected \$7.3 million more than what was spent in FY20. Unspent revenue in statutory dedications remain in the fund and can be used in subsequent years.

FY21 CURRENT EXPENDITURE TREND

Approximately \$49.9 million (76%) from all means of finance could be spent based on actual spending patterns through February and projections through the remainder of the fiscal year. This would leave \$15.7 M or 24% of the department's total budget authority unspent.

The largest projected remaining funds are found in the Office of the Secretary and the Office of Coastal Management. This is primarily in IAT expenditures and Operating Services.

In FY20, the department spent 76.6% of its total budget comparing its end of year budget and actual expenditures while factoring out funding carried over into FY21.



FY22 SOURCES OF FUNDING

Interagency Transfers \$8.5 M

- Internal transfers make up the largest portion of interagency transfers.
- Other transfers are derived from Wildlife and Fisheries, DOA, LDR, and Transportation.

Self-generated Revenue \$208,000

- **\$150,000**
The Office of the Secretary gets funds from interest revenues received through Home Energy Loan Program (HELP), insurance recovery, and data subscriptions.
- **\$58,000**
Insurance recovery generates revenues for the other three agencies in the department.

Federal Funds \$8.8 M

- Grant through the State Energy Conservation Program (SEP) and the federal Energy Settlement Funds.
- Funds are also derived through various federal departments and agencies such as the Department of Transportation and the Environmental Protection Agency (EPA).

FY22 STATUTORY DEDICATIONS

Fund Name	FY22 HB1	Funding Source	Use
Statutory Funds			
Oil & Gas Regulatory Fund	\$16,505,155	Various regulatory fees charged on oil and gas wells by the Office of Conservation	Oil & Gas Regulatory Program
Mineral and Energy Operation Fund	\$4,575,657	Revenues from lease sales, judgments and settlements	Mineral Resource Management Program
Coastal Resources Trust Fund	\$751,113	Fees on coastal use permit applications	Coastal Resources Program
Fisherman's Gear Compensation Fund	\$632,000	Fees on lessees of state mineral leases and grantees of state pipeline right-of-way in the coastal zone of Louisiana	Fisherman's Gear Compensation Program
Underwater Obstruction Removal Fund	\$350,000	\$250,000 annual deposit from Fisherman's Gear Fund, other appropriations, grants, donations	Underwater Obstruction Removal Program
Constitutional Funds			
Oilfield Site Restoration Fund	\$12,465,229	Fees on oil and natural gas producing wells	Oilfield Site Restoration Program
Oil Spill Contingency Fund	\$203,399	Judgments, penalties, federal funds, fees levied on oil transporting vessels	Office of Coastal Management

Source: Office of Planning and Budget - Budget Supporting Documents; HB1 of the 2021 Regular Session

FY22 FUNDING COMPARISON

Means of Finance	FY20 Actual Expenditures	FY21 Existing Operating Budget 12/1/20	FY22 HB1 Budget	Change from Existing Operating Budget to HB1		Change from Actual Expenditures to HB1	
SGF	\$7,962,984	\$8,050,003	\$7,933,771	(\$116,232)	(1.4%)	(\$29,213)	(0.4%)
IAT	\$6,898,015	\$8,442,728	\$8,541,852	\$99,124	1.2%	\$1,643,837	23.8%
FSGR	\$145,073	\$208,000	\$208,000	\$0	0.0%	\$62,927	43.4%
Stat Ded	\$30,151,001	\$40,539,169	\$35,482,553	(\$5,056,616)	(12.5%)	\$5,331,552	17.7%
Federal	\$6,349,402	\$8,419,257	\$8,759,953	\$340,696	4.0%	\$2,410,551	38.0%
Total	\$51,506,475	\$65,659,157	\$60,926,129	(\$4,733,028)	(7.2%)	\$9,419,654	18.3%

Significant funding changes from FY21 EOB:



\$99,124 IAT

Net increase in standard statewide budget adjustments. Additionally, there is a small increase for S&P Global Platts data subscriptions and licenses and a means of finance substitution decreasing IAT due to anticipation federal grant funding.



\$5.1M Stat Ded

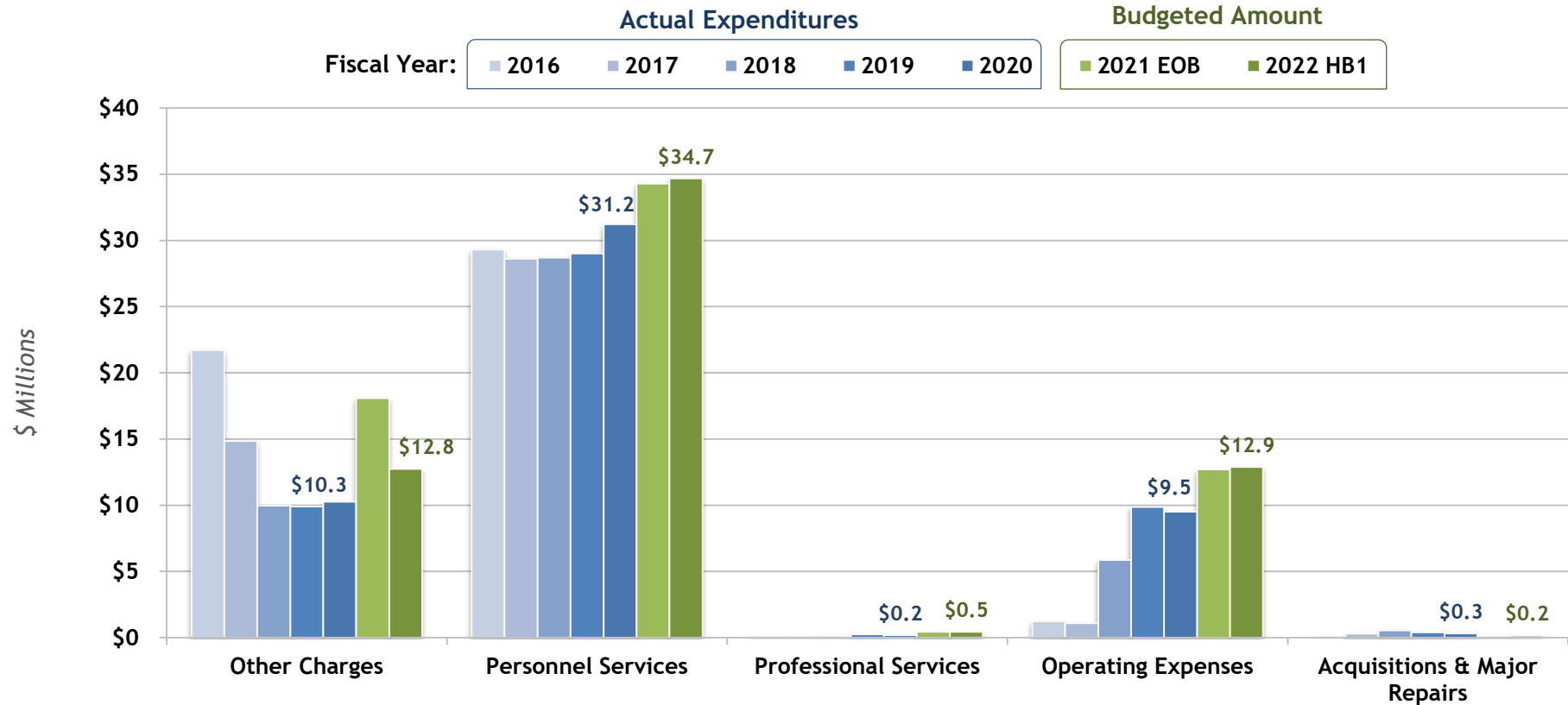
Net decrease in funds mainly out of the Coastal Resources Trust Fund due to the expected completion of 3 Beneficial Use projects by the end of the current fiscal year.



\$340,696 Federal

Increase to federal grant funding and the implementation of the Carbon Dioxide Sequestration Program.

EXPENDITURE HISTORY



Source: Office of Planning and Budget - Executive and Proposed Budget Supporting Documents

FY22 EXPENDITURE COMPARISON

Expenditure Category	FY20 Actual Expenditures	FY21 Existing Operating Budget 12/1/20	FY22 HB1 Budget	Change from Existing Operating Budget to HB1		Change from Actual Expenditures to HB1	
Salaries	\$19,173,606	\$20,700,966	\$21,305,154	\$604,188	2.9%	\$2,131,548	11.1%
Other Compensation	\$127,358	\$264,944	\$264,944	\$0	0.0%	\$137,586	108.0%
Related Benefits	\$11,926,435	\$13,317,380	\$13,105,406	(\$211,974)	(1.6%)	\$1,178,971	9.9%
Travel	\$239,024	\$375,610	\$375,610	\$0	0.0%	\$136,586	57.1%
Operating Services	\$9,051,561	\$11,814,983	\$11,978,004	\$163,021	1.4%	\$2,926,443	32.3%
Supplies	\$226,615	\$523,738	\$531,619	\$7,881	1.5%	\$305,004	134.6%
Professional Services	\$185,774	\$450,779	\$450,779	\$0	0.0%	\$265,005	142.6%
Other Charges/IAT	\$10,262,443	\$18,078,579	\$12,754,075	(\$5,324,504)	(29.5%)	\$2,491,632	24.3%
Acq/Major Repairs	\$313,659	\$132,178	\$160,538	\$28,360	21.5%	(\$153,121)	(48.8%)
Total	\$51,506,475	\$65,659,157	\$60,926,129	(\$4,733,028)	(7.2%)	\$9,419,654	18.3%

Source: Office of Planning and Budget - Budget Supporting Documents and HB1 of the 2021 Regular Session

SIGNIFICANT EXPENDITURE CHANGES

Compared to the FY21 Existing Operating Budget

\$392,214 - Personnel Services

\$604,188 Net increase in statewide standard budget adjustments, including the market rate classified pay increases, salary base adjustment, and projected attrition savings.

(\$211,974) Decrease due to a base adjustment in related benefits.

(\$5.3 M) - Other Charges

(\$5 M) Decrease due to the completion of 3 Beneficial Use projects with CPRA.

\$170,902- Operating Expenses

\$163,021 Increases to Operating Services is matched by decreases to Other Charges. The expenses are simply changing categories.

OTHER CHARGES DETAIL

Other Charges

Amount	Description
\$504,869	State Energy Program
\$483,165	Local Coastal Programs
\$421,710	Fisherman's Gear Fund Claims Payments
\$297,685	Federal Energy Settlement
\$150,000	Petroleum Violation Escrow
\$148,099	Insurance Recovery
\$86,014	N14 Carbon Dioxide Fund & other professional services
\$23,000	Legal Services
\$2,114,542	Total Other Charges

Interagency Transfers

Amount	Description
\$4,420,747	Internal Transfers within DNR agencies
\$3,260,569	Office of Technology Services
\$1,205,637	Rent in State-Owned Buildings
\$334,193	Risk Management
\$230,000	Attorney General
\$217,067	Telecommunications
\$199,412	DOTD - Topographic Mapping
\$183,406	Legislative Auditor
\$190,863	Security
\$124,723	Civil Service Fees
\$100,000	Beneficial Use Projects
\$30,000	LSU Geological Review Fees
\$142,916	Various Remaining Tansfers
\$10,639,533	Total Interagency Transfers

DISCRETIONARY EXPENSES

**Total Budget
\$60.9 Million**

State General Fund
\$7.9 Million

Interagency
Transfers
\$8.5 Million

Self-generated
Revenue
\$ 208,000

Statutory
Dedications
\$35.5 Million

Federal Funds
\$8.8 Million

Non-discretionary
\$2.0 Million

Retirement UAL
\$1.2 Million

Retiree's Group Insurance
\$613,605

Rent in State-Owned
Buildings
\$134,180

Legislative Auditor Fees
\$30,705

Discretionary
\$5.9 Million

Mineral Resources
\$2.8 Million

Conservation
\$2.2 Million

Secretary
\$819,690

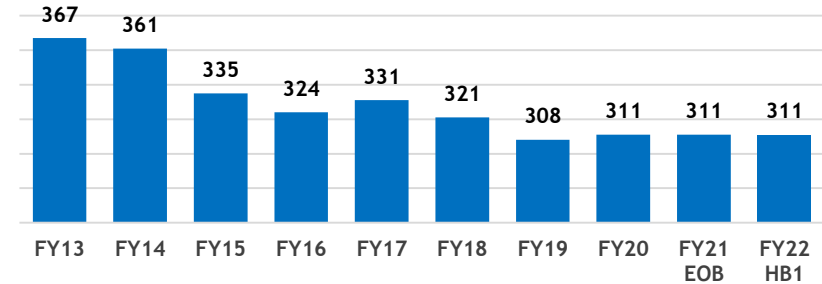
Coastal Restoration and
Management
\$161,333

PERSONNEL INFORMATION

FY 2022 Recommended Positions

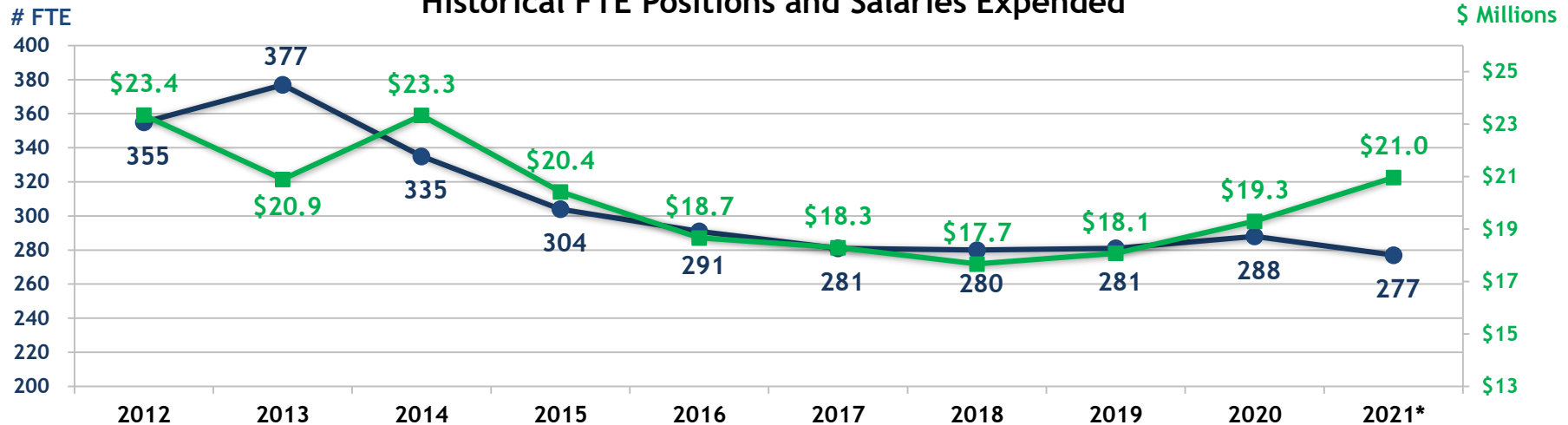
311	Total Authorized T.O. Positions (301 Classified, 10 Unclassified)
0	Authorized Other Charges Positions
2	Non-T.O. FTE Positions
35	Vacant Positions (February 1, 2021)

Historical Authorized T.O. Positions



Source: Office of Planning and Budget - Budget Supporting Documents

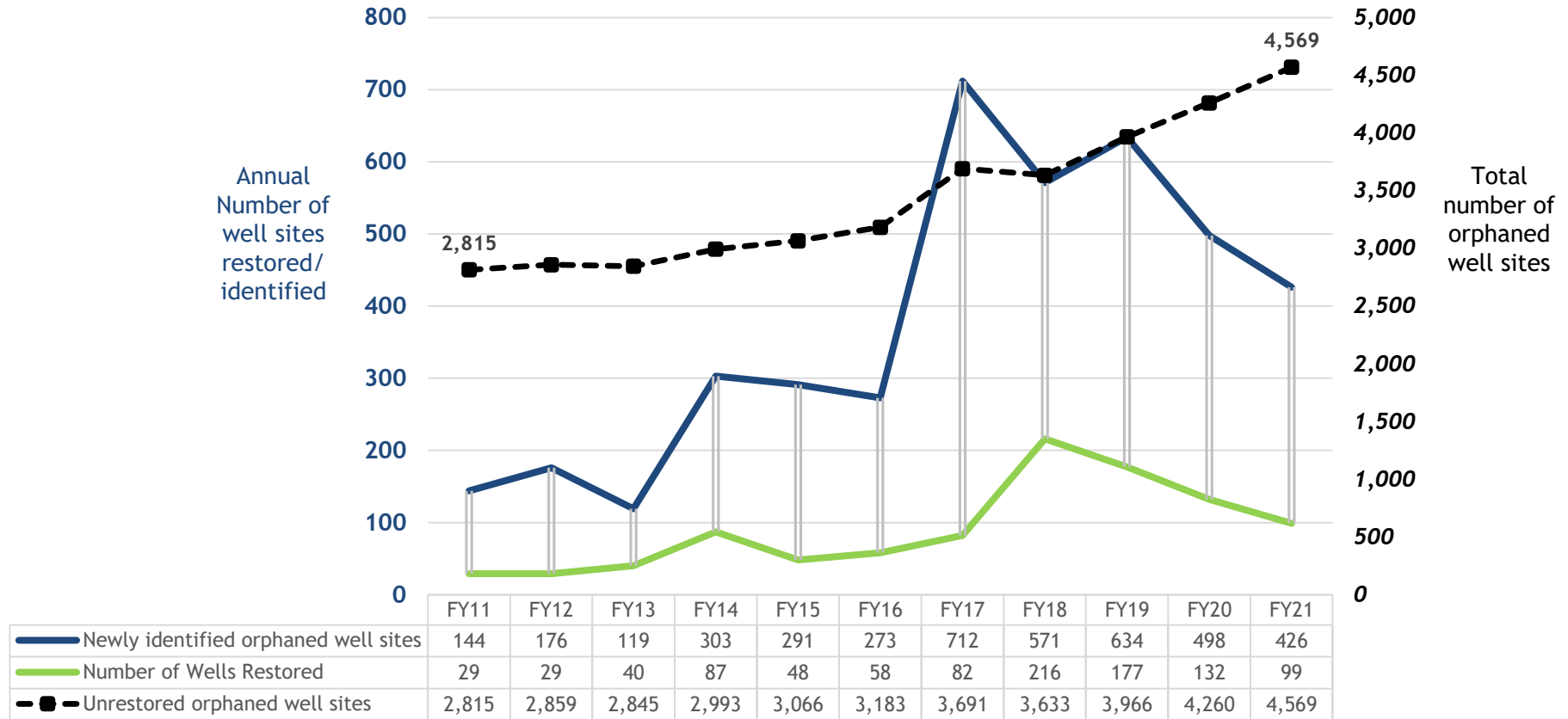
Historical FTE Positions and Salaries Expended



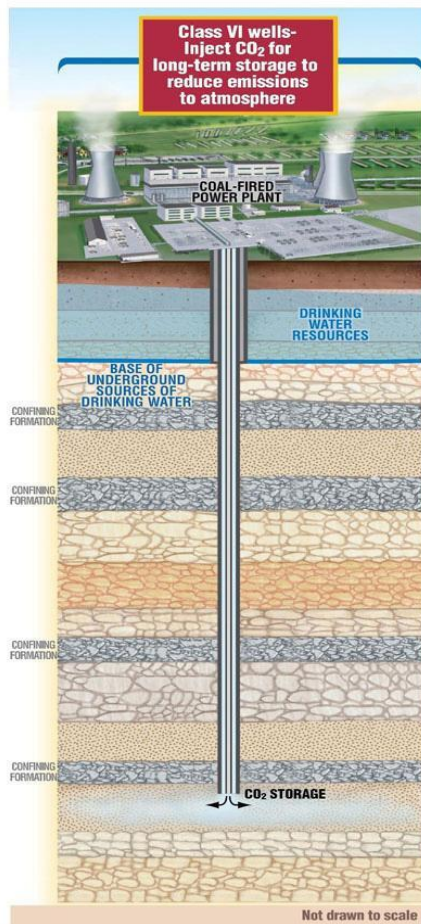
Source: Dept. of Civil Service and Budget Supporting Documents

*Existing Operating Budget 12/1/20

OILFIELD SITE RESTORATION



CARBON SEQUESTRATION PROGRAM



The Department of Natural Resources plans to implement the **Carbon Sequestration Program** within the next year. The proposed rules govern Class VI wells for the sequestration of carbon dioxide in subsurface geologic formations, ultimately limiting emissions of this greenhouse gas.

- Wells are currently not regulated by the state and DNR expects to gain permission to regulate these in FY22.
- This program will allow the state to make collections for permits for these wells. DNR expects increases in revenue collections beginning in FY22 and increasing each subsequent year.
- According to the department, there will be positive economic benefits to individuals, businesses, and other non-governmental groups. Individuals who own surface rights of Class VI sequestration projects will be able to negotiate leases for storage rights in the subsurface. Additionally, non-governmental groups in the industrial sector will benefit from increased construction as well as the federal tax credits received by the operator who is sequestering the carbon dioxide underground.
- According to the department, there will be a positive impact on employment in the industrial construction sector as there will be an increase in the availability of construction jobs in order to build pipeline infrastructure and injection sites for the Class VI wells. These impacts are indeterminable though since this industry is new.

DEPARTMENT CONTACTS



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